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C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 000110

SIPDIS

STATE FOR SCA/CEN, EEB

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SUBJECT: TURKMENISTAN: LOCAL BUSINESS COUNCIL MEETING TOOK PLACE -- FOR THE FIRST TIME

REF: 08 ASHGABAT 1506

Classified By: Charge Richard Miles, reasons 1.4 (B) and (D).

¶1. (C) SUMMARY: European Bank for Reconstruction and Development (EBRD) Resident Office Head, Neil McKain (please strictly protect), said that the head of the Union of Entrepreneurs and Industrialists is a "born entrepreneur" and that "he has the right instincts to help entrepreneurs" in Turkmenistan. According to one of McKain's contacts, various local entrepreneurs and government officials recently attended a meeting to discuss improvement of the business climate. This was the first time that such a meeting had taken place, and it happened at the initiative of the President himself. McKain thinks progress is taking place in Turkmenistan -- but at a decidedly Turkmen pace. Exposure to other ways of thinking through technical assistance programs and exchanges for the budding local entrepreneurial community would be valuable contributions to improving the business climate. Establishing a local business council that would meet regularly would also be a useful mechanism for improving business in Turkmenistan. END SUMMARY.

HEAD OF THE UNION OF INDUSTRIALISTS AND ENTREPRENEURS -- A "BORN ENTREPRENEUR"

¶2. (C) Post reported reftel that the Head of the Union of Industrialists and Entrepreneurs, Aleksandr Dadayev, received a loan to start a chicken farm by presidential decree on a non-competitive basis. European Bank for Reconstruction and Development (EBRD) Resident Office Head, Neil McKain (please strictly protect), said in a meeting on January 14 said that Dadayev did not ask for the chicken farm contract, nor was he enthusiastic about receiving the contract. Following the awarding of the contract, the President then asked Dadayev to run the Union, which shows that those in power agree with McKain's assessment that "he has the right instincts to help entrepreneurs here." McKain also said that Dadayev is a born entrepreneur and that it is natural that the government entrusted Dadayev with loans that not all Turkmen have access too, since he has what it takes to be successful.

FIRST INKLING OF A BUSINESS COUNCIL FOR TURKMENISTAN

¶3. (C) McKain said that entrepreneurs and representatives of

various government agencies and ministries such as the Chamber of Commerce and Industry, Union of Entrepreneurs and Industrialists, Ministry of Trade and Foreign Economic Relations, Ministry of Textiles, and three other ministries met on January 13 for the first time -- at the initiative of the president himself -- to discuss improving the business climate. McKain said that he has advised the head of Chalik Holding, Ahmed Chalik, to press President Berdimuhamedov to establish a business council. McKain added that he hopes that the President is hearing about the concept of a business council from many organizations, and not just EBRD, in order for the idea to gain traction.

OTHER OBSERVATIONS AND PLANS

¶4. (C) McKain also said that:

-- The "tall poppy" syndrome -- where those who stand out by achieving too much success get cut down (or run out of business) -- does still occur in Turkmenistan, but much less than during the Niyazov period.

-- Leases that are renewed on a yearly basis present a major barrier to liberalization of the agriculture sector because no one wants to invest capital in projects under these short-term conditions, including farmers and bankers.

-- EBRD is discussing holding a seminar on microfinance with UNDP and the government. McKain said that this project would be productive because -- like many governments emerging from

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a command economy -- Turkmenistan tends to consider lending a "dirty business."

¶5. (C) COMMENT: Progress is taking place in Turkmenistan -- but according to the Turkmen time frame. Exposure to other ways of thinking through expanded U.S.-funded capacity building programs, English programs, and exchange programs for the budding local entrepreneurial community would be valuable contributions to improving the business climate. A local business council could also contribute to improving business conditions in Turkmenistan. END COMMENT.

MILES